

Conference Report Highlights

May 25, 2000

Highlights of the Conference Report to Accompany H.R. 2559, Agricultural Risk Protection Act

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Noteworthy

- By unanimous consent, the Senate will take up the Conference Report to accompany H.R. 2559 today with a vote to occur following up to three hours of debate. The House today passed the conference report by unanimous consent.
- The Senate passed its crop insurance reform bill, S. 2251, on March 23, 2000 by a vote of 95-5.
- The Conference Report provides a more than \$15 billion in economic assistance to farmers. Of this total, \$8.2 billion goes to the Federal Crop Insurance Program over the next five years to increase crop insurance subsidies to farmers and combat fraud and abuse in the program.
- The Report includes \$7.1 billion for economic assistance to those farmers hardest hit by low prices in accordance with the Concurrent Budget Resolution for FY 2001. This budget resolution included a reserve fund of \$5.5 billion in FY 2000 and \$1.6 billion in FY 2001 for legislation reported by the Agriculture Committee by June 29 that provides assistance for producers of program crops and specialty crops, and enhancements for agriculture conservation programs.

Highlights

From Title I, Crop Insurance:

- The conference agreement continues the standard catastrophic risk protection (CAT) coverage (insuring 50% of yield at 55% of price) at a fee of \$100. The conference

agreement also allows producers to select an alternative CAT coverage based on area yields and losses that is comparable to the standard individual CAT coverage.

- Producers struck with multiple years of natural disasters face lower yields in their production history. The conference agreement provides producers maximum flexibility in maintaining their insurable yield to address this problem. Producers may record in their actual production history a yield equal to 60 percent of the long-term county average yield for any year the actual yield falls below that amount.
- The conference agreement requires the Federal Crop Insurance Corporation (FCIC) to review the rating and loss histories of insurance policies for crops by area and make any appropriate adjustments for any excessive rates for the 2002 crop year.
- The conference agreement establishes new procedures for insuring multiple crops on the same land, with provisions for traditional double-cropping areas. Producers also have more flexibility with regard to prevented planting coverage.
- The conference agreement cracks down on fraud, waste, and abuse to build a stronger crop insurance program and lower producer costs. The conference agreement directs the Secretary to develop and implement a coordinated plan for the FCIC and the Farm Service Agency (FSA) to reconcile producer information on an annual basis.
- Research and Development - The conference agreement makes a substantial investment in research and development by allowing experts to research and develop new policies, rather than the RMA. This provision will increase the quality and quantity of insurance available to producers and make insurance policies available more quickly. The FCIC would have the authority to enter into contracts for research and development for underserved states and commodities, including specialty crops.
- Pilot Programs - The conference agreement provides for expanded pilot authorities, including coverage for livestock. The conference agreement also provides for a pilot program on premium rate reduction.
- Management of Corporation - The conference agreement would add one additional farmer to the Board of Directors of the Federal Crop Insurance Corporation so that four active farmers would serve on the board. This provision would also require that at least one member of the board be a specialty crop producer.
- **Title II of the bill, Agricultural Assistance**, provides a \$7.1 billion economic assistance package, which includes:
 - \$5.4666 billion this year for additional freedom to farm payments to farmers;
 - \$500 million for payments to oilseed producers;

- \$900 million for specialty and other crops;
- \$31 million for agriculture research;
- \$50 million for agriculture conservation; and
- \$7 million for pseudorabies vaccinations for swine.

See attached summary from the Senate Committee on Agriculture for details.

Title III, Biomass R&D:

- This title contains the Biomass Research and Development Act, sponsored by Senator Lugar, which calls for a focused research effort to develop technologies for producing biobased fuels, chemicals and power. It provides that the Secretaries of Agriculture and Energy establish a Biomass Research and Development Initiative involving competitively awarded grants, peer review, and a public-private partnership to develop low-cost, environmentally safe, and renewable biobased industrial products. Also, it establishes an interagency board and an independent advisory committee to assist the Secretaries of Agriculture and Energy in the coordination of federal policies involving biomass research and development.

Titles IV and V, Plant Protection and Inspection of Animals:

- These titles consolidate and streamline existing state authorities for plant protection and authorize civil penalties for harming or interfering with an animal used by the Department of Agriculture inspectors.

BACKGROUND

The Agricultural Risk Protection Act is intended as a first step toward reforming the federal crop insurance program and making it a more effective risk management tool for America's farmers. It addresses four aspects of the federal crop insurance program that need improvement:

- Producer participation must be increased.

- Program administration needs to be streamlined, and procedures for approving policies and plans of insurance must be simplified to facilitate flexibility, innovation and transparency, and encourage the development of new products from the private sector.
- Better risk management in production agriculture must be encouraged by offering new types of insurance coverage such as whole-farm revenue and combined individual and area yield policies, especially for specialty crops.
- Fraud and abuse in the federal crop insurance program must be better managed.

Farming is inherently a risky business that produces unpredictable revenues. Agricultural producers must deal with natural disasters such as floods and droughts, as well as pests and disease. Better use of crop insurance and other risk management tools by agricultural producers is essential if Congress is to avoid the need for future disaster programs. Producers need to be encouraged to purchase crop insurance and use other risk management strategies in order to reduce reliance on disaster assistance, which is ad hoc and unpredictable. One purpose of the Agricultural Risk Protection Act is to avoid this ad hoc approach.

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SUMMARY OF ECONOMIC ASSISTANCE PACKAGE

MARKET LOSS ASSISTANCE FOR FARMERS

\$5.466 billion in FY00

Additional AMTA payment for farmers based on 1999 payment rates

OILSEEDS

\$500 million FY01

Payments to oilseed producers in 2000 based on greatest acreage from 1997, 1998 or 1999 and average yield from 1995-1999 not counting the highest and lowest or the actual yield for new producers. This payment scheme follows last year's approach.

SPECIALTY CROPS

\$71 million in FY01

Replenishment of PACA and AMS trust Funds and funding for improvements in inspection services for fruits and vegetables

\$200 million in FY01

Purchases of specialty crops for low prices in 1998 or 1999 including apples, black-eyed peas, cherries, citrus, cranberries, onions, melons, peaches, and potatoes

\$25 million in FY01

Compensation for growers who have experienced losses due to plum pox virus, Pierce's disease, and citrus canker

Requires a report from USDA and USDA's OIG analyzing the economic losses to the produce industry due to alleged inspection problems at Hunts Point Terminal Market in New York.

\$5 million in FY01 in credit subsidy cost

Loans for apple producers that are suffering economic loss as the result of low prices

PEANUTS

\$47 million in FY01

Payments to producers to compensate for low prices for the 2000 crop year.

TOBACCO

\$340 million in FY01

Payments to quota holders, provided in the same manner as last year. Payments would be delivered by FSA rather than a private contractor. Authorizing payment to Georgia tobacco growers that was frozen last year due to a problem with the Georgia state law. Limitation on the transfer of flue-cured tobacco allotments and limitation on adjustment of burley tobacco inventories. Authorization of the transfer of burley quota between counties if a majority of active producers approve the transfer. (Only applicable in 5 states: Tennessee, Ohio, Indiana, Kentucky and Virginia.) Reform of recordkeeping and reporting procedures for burley tobacco quota and acreage.

HONEY

\$7 million in FY01

One year recourse loan, the same as was done last year.

WOOL AND MOHAIR

\$11 million in FY01

For wool producers, direct payments of 20 cents per pound based on economic losses in 1999. For mohair producers, direct payments of 40 cents per pound based on 1999 production.

COTTONSEED

\$100 million FY01

Payments to producers similar to last year's payments.

LDP FOR GRAZED LAND

\$43 million in FY01

Provides a payment for a producer who grazes wheat, barley or oats acreage rather than harvesting the crop.

LDPs FOR NON-AMTA FARMS FOR THE 2000 CROP

\$35 million in FY01

Provides LDPs for wheat, feed grains, cotton and rice grown on farms not enrolled in Freedom to Farm. This applies to crop year 2000 only.

CONSERVATION

\$10 million in FY01

Farmland Protection Program

\$40 million in FY01

Assistance to farmers to conserve and improve soil, water and other natural resources. This is similar to EQIP, which has many more requests for funding than it can provide.

CONDITION ON DEVELOPMENT OF LITTLE DARBY NATIONAL WILDLIFE REFUGE

Requires an environmental impact statement prior to further development of the Little Darby Wildlife Refuge.

CARBON CYCLE RESEARCH

\$15 million in FY01

Funding for the Consortium for Agricultural Soils Mitigation of Greenhouse Gases to carry out carbon cycle research at the national, regional and local levels.

TOBACCO RESEARCH FOR MEDICINAL PURPOSES

\$3 million in FY01

Grant to Georgetown University and North Carolina State University for research regarding the extraction and purification of proteins from genetically altered tobacco that can be used as a vaccine for cervical cancer.

RESEARCH ON SOIL SCIENCE AND FOREST HEALTH AND MANAGEMENT

\$10 million in FY01

Grant to the University of Nebraska-Lincoln for laboratories and equipment for research on soil science and forest health and management.

RESEARCH ON WASTE STREAMS FROM LIVESTOCK OPERATIONS

\$3.5 million in FY01

Research for reducing waste from livestock operations and eliminating associated problems.

IMPROVED STORAGE AND MANAGEMENT OF LIVESTOCK AND POULTRY WASTE

\$5 million in FY01

Review of actual or potential failure of storage and management systems for livestock or poultry waste and study of market-oriented mechanisms to assist such producers to prevent failure of the systems and rectify environmental damages.

ETHANOL

\$14 million in FY01

Funding to complete construction of a corn-based ethanol research pilot plant in Illinois.

BIOINFORMATICS INSTITUTE FOR MODEL PLANT SPECIES

Authorization for cooperative agreement between ARS and the National Center for Genome Resources in NM and NM State University and IA State University for establishment of an Institute to enhance accessibility and utility of genomic information for plant genetic research and authorization of up to \$3 million to establish an Institute.

VALUE-ADDED AGRICULTURAL PRODUCT MARKET DEVELOPMENT GRANTS

\$15 million in FY01

\$10 million for competitive grants for producers of value-added agricultural commodities and products of agricultural commodities. \$5 million for establishment of an Agricultural Marketing Resource Center Pilot Project.

BOLL WEEVIL ERADICATION LOAN

\$5 million in FY01

USDA will provide a loan to the TX Boll Weevil Eradication Foundation to enable the Foundation to retire certain debt associated with boll weevil eradication zones which have ended their participation in the federally funded boll weevil eradication program.

PSEUDORABIES

\$7 million in FY01

To cover pseudorabies vaccination costs incurred by pork producers.

BOVINE TUBERCULOSIS

\$6 million in FY01

Funding for bovine tuberculosis in Michigan. Funding shall be used for surveillance and testing of cattle and wildlife, research at ARS and Michigan State University, increases in indemnity payments to encourage depopulation of infected herds, diagnostic testing and treatment of humans, slaughter surveillance, controlling and preventing exposure of livestock to wildlife including fencing to minimize contact between wildlife and domestic livestock, and risk communications and improvements in technology for communication.

EMERGENCY LOANS FOR SEED PRODUCERS

\$15 million in FY01

Non-interest loans to producers of 1999 crop grass, forage, vegetable and sorghum seed that have not received payments from AgriBiotech as a result of bankruptcy proceedings involving AgriBiotech.

TEMPORARY SUSPENSION OF AUTHORITY TO COMBINE CERTAIN OFFICES

Temporarily suspends authority of USDA to combine state level offices of USDA agencies. Requires a report from USDA about proposed combinations that certifies that the proposed combination would result in the lowest cost to the federal government over the long term.

FARM OPERATING LOAN ELIGIBILITY

Suspends the requirement that USDA direct loan recipients must graduate to private credit but retains the priority for direct loans for beginning farmers.

WATER SYSTEMS FOR RURAL AND NATIVE VILLAGES IN ALASKA

Authorizes \$30 million for training and technical assistance relating to the management of water and waste disposal in rural and native villages in Alaska.

CROP AND PASTURE FLOOD COMPENSATION

\$24 million FY01

Provides payments to producers in North Dakota and Oregon whose farmland has been flooded and cannot produce a crop in this current crop year.

FLOOD MITIGATION NEAR PIERRE, SOUTH DAKOTA

Authorizes the Secretary of the Army to purchase land in South Dakota susceptible to flooding and take several measures to make land flood-proof.

RESTORATION OF ELIGIBILITY FOR CROP LOSS ASSISTANCE

\$6 million in FY01

Allows disaster payments to individuals or entities that were not eligible solely because the individual or entity changed the legal structure of the individual's or entity's farming operation.

NUTRITION

SCHOOL LUNCH COMMODITY PURCHASES

\$34 million in FY00

\$76 million in FY01

Additional commodities (especially specialty crops and meat) for the school lunch program would be purchased to make up for recent changes in law that lowered these purchases.

SHARING SCHOOL LUNCH INCOME DATA WITH POVERTY PROGRAMS

\$42 million in FY00-05

Income data from applications for free and reduced price lunches school lunches would be shared with federal health insurance programs to provide health care to poor children. The cost of this provision is offset by the following provision.

REFORM THE CHILD AND ADULT CARE FOOD PROGRAM

SAVES \$47 million in FY00-05

The USDA Inspector General found fraud and abuse in the CACFP program, with some individuals claiming reimbursement for child care meals that were never served. This provision would tighten the requirements for participating in the program.

ADJUSTMENTS TO WIC PROGRAM

No cost

Modifies program requirements for remote Indian villages in Alaska.

\$5.5 Billion in Fiscal Year 2000

\$1.639 Billion in Fiscal Year 2001